

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

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THE PEOPLE OF THE STATE OF NEW YORK	:	Index No. 404620/06
by ELIOT SPITZER, Attorney General of	:	Part 39
the State of New York,	:	
	:	Justice Helen E. Freedman
Plaintiff,	:	
	:	<b>AFFIDAVIT OF J. JENNIFER</b>
-against-	:	<b>KOH IN OPPOSITION TO THE</b>
	:	<b>COVENTRY GROUP, INC AND</b>
	:	<b>MONTGOMERY CAPITAL, INC.</b>
COVENTRY FIRST LLC, MONTGOMERY	:	<b>MOTION TO DISMISS AND IN</b>
CAPITAL, INC., THE COVENTRY GROUP, INC., and	:	<b>SUPPORT OF PLAINTIFF'S</b>
REID S. BUERGER,	:	<b>CROSS-MOTION FOR</b>
	:	<b>DISCOVERY PURSUANT TO</b>
Defendants.	:	<b><u>CPLR 3211(d)</u></b>

-----X

State of New York     )  
                                  ) ss.:  
County of New York )

J. JENNIFER KOH, being duly sworn, deposes and says:

1. I am an assistant attorney general in the office of Andrew M. Cuomo, the Attorney General of the State New York, and attorney for the People of the State of New York ("State"), plaintiff in this action. I submit this affidavit in opposition to the Joint Motion of The Coventry Group, Inc. ("Coventry Group") and Montgomery Capital, Inc. ("Montgomery Capital") To Dismiss the Complaint action and in Support of Plaintiff's Cross-Motion for Jurisdictional Discovery under CPLR 3211(d).

2. In September 2006, Coventry First provided the State with audited financial statements from 2001 through 2005. Based upon the financial statements the State believes that

Coventry First is controlled and dominated by one or both of the Defendants. Coventry First appears to be operated on a break-even basis, such that nearly its entire profit is paid to Defendants in the form of management fees. Such an arrangement indicates the disregard of corporate formalities, since there is generally no business reason for a corporation to surrender its profits to another entity. Even if such exorbitant fees could be justified by the “management” services provided by Coventry Group and Montgomery Capital, discovery would still be necessary to determine the scope of Defendants’ involvement in Coventry First’s day-to-day operations.

3. Attached hereto as Exhibit A is a copy of the New York Department of State document indicating that Coventry First is registered as a New York foreign limited liability company with a New York registered agent.

4. Attached hereto as Exhibit B is a copy of the New York Department of State document indicating that Montgomery Capital is registered as a New York foreign business corporation with a New York registered agent.

5. Attached hereto as Exhibit C is a copy of proposed document requests and interrogatories to be served upon Coventry Group, Montgomery Capital and Coventry First. The State may seek additional discovery.

6. Attached hereto as Exhibit D is a copy of proposed notices of depositions for the following individuals: (1) Alan Buerger, (2) Constance Buerger, (3) Antonio Muniz and (4) Reid S. Buerger.

7. Attached hereto as Exhibit E is a copy of Coventry’s audited financial statements from 2001 through 2005.

Dated: New York, New York  
March 14, 2007

ANDREW M. CUOMO  
Attorney General of the  
State of New York

By:   
J. JENNIFER KOH  
Assistant Attorney General  
120 Broadway  
New York, New York 10271  
(212) 416-8355

Sworn to before me  
this 14th day of March, 2007


  
Assistant Attorney General  
Pursuant to Executive Law Section 73

EXHIBIT E

**O'MELVENY & MYERS LLP**

1625 Eye Street, NW  
Washington, D.C. 20006-4001

TELEPHONE: (202) 383-5300  
FACSIMILE: (202) 383-5414

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**TO:**  
Jennifer Koh, Esq.

**FAX NUMBER:**  
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(212) 416-8355

**FROM:**  
Brian P. Brooks

**RETURN FAX NUMBER:**  
(202) 383-5414

**TELEPHONE NUMBER:**  
(202) 383-5127

**MESSAGE**

Dear Ms. Koh--

Please see attached correspondence and related production.

Regards--  
**Brian P. Brooks**

Brian P. Brooks  
O'Melveny & Myers LLP  
1625 Eye Street, NW  
Washington, D.C. 20006-4001  
bbrooks@omm.com  
202-383-5127  
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TOKYO

September 19, 2006

OUR FILE NUMBER  
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**VIA FACSIMILE**

WRITER'S DIRECT DIAL  
(202) 383-5127

Jennifer Koh, Esq.  
Assistant Attorney General  
Office of the Attorney General  
120 Broadway  
New York, New York 10271

WRITER'S E-MAIL ADDRESS  
bbrooks@omm.com

Re: Coventry First LLC

Dear Ms. Koh:

In response to your request, I am enclosing copies of Coventry's audited financial statements for the fiscal years ending 2001 through 2005 (the most recent year for which financials are available). We are informed that the revenue figures reflected on these statements include all revenues received in connection with Coventry's life settlement business, including both front-end origination fees and back-end servicing fees. These figures do not reflect income associated with premium finance activities, which are conducted through a separately incorporated entity. The documents being produced bear Bates numbers COV2-0009664 through COV2-0009718.

Separately, Ms. Filipakis asked me about the total number of policies Coventry has acquired since 2001. During our meeting in your offices last week, I believe I estimated a number in the ballpark of 6,000 policies. Having now consulted with Coventry, I am informed that the number of policies acquired by Coventry from 2001 through the present is actually approximately 4,200, and that the total number of policies priced by Coventry for potential bid during that same time period was approximately 25,000.

We are working on the other items you and your colleagues have requested and expect to produce additional information on them shortly.

We are producing this information based on our ongoing understanding that it will be accorded confidential treatment and that there is no waiver of attorney-client privilege or any of the other objections stated in our initial response to your office's subpoena.

09/19/2006 12:44 PM

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O'MELVENY & MYERS LLP  
Jennifer Koh, Esq., September 19, 2006 - Page 2

Very truly yours,

/s/ Brian P. Brooks

Brian P. Brooks

cc: Joseph diGenova, Esq.

06/12/2007 10:44:00 AM

00000000

**COVENTRY FIRST LLC**  
**FINANCIAL STATEMENTS**

Years Ended November 30, 2005 and 2004

COV2 - 0009664  
CONFIDENTIAL  
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**COVENTRY FIRST LLC**

**Years Ended November 30, 2005 and 2004**

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**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm

401 Plymouth Road, Suite 200  
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#### INDEPENDENT AUDITORS' REPORT

To the Board of Managers

Coventry First LLC

We have audited the accompanying balance sheets of Coventry First LLC as of November 30, 2005 and 2004, and the related statements of income, changes in managing member's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Coventry First LLC as of November 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

Plymouth Meeting, Pennsylvania  
December 9, 2005

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03/13/2009

## COVENTRY FIRST LLC

## BALANCE SHEETS

November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ [REDACTED]	\$ [REDACTED]
Cash, restricted		
Accounts receivable		
Policies purchased		
Prepaid expenses		
Commissions		
Insurance		
Other		
<b>TOTAL CURRENT ASSETS</b>	<u>18,256,043</u>	<u>11,626,727</u>
<b>PROPERTY AND EQUIPMENT</b>		
Cost		
Leasehold improvements	[REDACTED]	[REDACTED]
Software		
Furniture, fixtures and office equipment		
Total cost	<u>4,300,708</u>	<u>2,406,795</u>
Accumulated depreciation and amortization		
<b>NET PROPERTY AND EQUIPMENT</b>	<u>4,300,708</u>	<u>2,406,795</u>
<b>OTHER ASSETS</b>		
Deposits	<u>700</u>	<u>37,115</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,557,451</u>	<u>\$ 14,070,637</u>
<b><u>LIABILITIES AND MANAGING MEMBER'S EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ [REDACTED]	\$ [REDACTED]
Accounts payable and accrued expenses		
Payroll taxes withheld and accrued		
<b>TOTAL CURRENT LIABILITIES</b>	<u>17,773,161</u>	<u>9,844,036</u>
<b>MANAGING MEMBER'S EQUITY</b>	<u>4,784,290</u>	<u>4,226,601</u>
<b>TOTAL LIABILITIES AND MANAGING MEMBER'S EQUITY</b>	<u>\$ 22,557,451</u>	<u>\$ 14,070,637</u>

See Notes to Financial Statements

**COVENTRY FIRST LLC**  
**STATEMENTS OF INCOME**

Years Ended November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Sale of insurance policies	\$	\$
Less cost of insurance policies		
Net		
Servicing fee income		
<b>NET REVENUES</b>	<u>74,839,584</u>	<u>79,194,633</u>
<b>OPERATING EXPENSES</b>		
Advertising and promotion		
Bank service charges and fees		
Computer		
Depreciation and amortization		
Dues and subscriptions		
Employee benefits		
Equipment rental		
Insurance		
Interest expense		
Management fees	32,113,785	59,143,683
Marketing		
Miscellaneous		
Office		
Outside services		
Payroll		
Payroll taxes		
Postage and delivery		
Professional fees		
Recruiting		
Relocation		
Rent		
Retirement plan expense		
Taxes and licenses		
Telephone		
Travel and entertainment		
Utilities		
<b>TOTAL OPERATING EXPENSES</b>	<u>74,656,060</u>	<u>80,295,129</u>
<b>LOSS BEFORE OTHER INCOME</b>	<u>(16,496)</u>	<u>(1,100,496)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income		
Loss on disposal of property and equipment		
Management fee income		
<b>TOTAL OTHER INCOME</b>	<u>574,185</u>	<u>1,813,874</u>
<b>NET INCOME</b>	<u>\$ 557,689</u>	<u>\$ 713,378</u>

See Notes to Financial Statements

REDACTED

REDACTED

## COVENTRY FIRST LLC

## STATEMENTS OF CASH FLOWS

Years Ended November 30, 2005 and 2004

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$	\$
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization		
Loss on disposal of property and equipment		
Decrease (increase) in operating assets		
Cash, restricted		
Accounts receivable		
Policies purchased		
Prepaid expenses		
Commissions		
Insurance		
Other		
Deposits		
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses		
Payroll taxes withheld and accrued		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>12,961,843</b>	<b>650,898</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayment on line-of-credit		
Managing member's equity distributions		
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,423,074</b>	<b>(459,409)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>5,150,102</b>	<b>5,609,511</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 14,573,176</b>	<b>\$ 5,150,102</b>

REDACTED

See Notes to Financial Statements

COVENTRY FIRST LLC

NOTES TO FINANCIAL STATEMENTS

1. Nature of operations

Coventry First LLC (the "Company") is a limited liability company established in Delaware in 1999. The term of the Company shall continue in perpetuity unless the Company is dissolved in accordance with the provisions of its limited liability company agreement (the "Agreement").

The Company was formed pursuant to the Delaware Limited Liability Company Law (the "Act"). Pursuant to the Agreement, members of the Company shall not have any liability for the obligations or liabilities of the Company.

There is one class of members' interest in the Company. Montgomery Capital, Inc. is the sole member of the Company.

The Company's principal activity is the acquisition, sale and servicing of life insurance policies to both related and unrelated parties.

[REDACTED]

[REDACTED]

REDACTED

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**COVENTRY FIRST LLC**  
**NOTES TO FINANCIAL STATEMENTS**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

REDACTED

**6. Revenue**

In October, 2001, the Company entered into an agreement with a company to sell and administer certain policies, as defined in the agreement. The agreement contains purchasing commitments by this company. This agreement was amended and restated effective July 1, 2003, and further amended effective July 30, 2004, to, among other things, renew the facility through 2007 and provide either party the right to further renew the facility through 2010.

[REDACTED]

In December, 2003, the Company entered into an agreement with a company to sell and administer certain policies, as defined in the agreement. This agreement contains purchasing commitments by this company with a minimum capital pledge.

COVENTRY FIRST LLC

NOTES TO FINANCIAL STATEMENTS

6. Revenue (continued)

[REDACTED]

In October, 2004, the Company entered into an agreement with a company to sell and administer certain policies, as defined in the agreement. This agreement contains purchasing commitments by this company with a minimum capital pledge.

[REDACTED]

These agreements require the Company to maintain a minimum net worth of \$4,000,000, as defined in the agreements.

[REDACTED]

7. Related party transactions

The Company has agreements with entities affiliated by common ownership whereby the Company and the affiliated entities share expenses, including payroll and related benefits. During the years ended November 30, 2005 and 2004, the Company charged affiliated entities [REDACTED] (including depreciation and amortization expenses of [REDACTED], rent expense of [REDACTED] and retirement plan expense of [REDACTED]) and [REDACTED] (including depreciation and amortization expenses of [REDACTED], rent expense of [REDACTED] and retirement plan expense of [REDACTED]), respectively, and an affiliated entity charged the Company [REDACTED] (including [REDACTED] of retirement plan expense) and [REDACTED], respectively, pursuant to these agreements.

The Company has month-to-month management fee agreements with certain entities affiliated by common ownership. Management fees charged by affiliates were \$32,113,785 and \$59,143,683 for the years ended November 30, 2005 and 2004, respectively.

[REDACTED]

REDACTED

REDACTED



COVENTRY FIRST LLC

NOTES TO FINANCIAL STATEMENTS

7. Related party transactions (continued)

[REDACTED]

The Company has recognized interest income and interest expense from monies loaned to or borrowed from certain individuals with beneficial ownership interests in the Company. Total interest income for the years ended November 30, 2005 and 2004, was [REDACTED] and [REDACTED], respectively. Total interest expense for the years ended November 30, 2005 and 2004, was [REDACTED] and [REDACTED], respectively.

Pursuant to an agreement with an entity affiliated by common ownership, the Company leases office space. The agreement can be immediately terminated by either party. Rent expense under this agreement was [REDACTED] and [REDACTED] for the years ended November 30, 2005 and 2004, respectively.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

REDACTED

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**COVENTRY FIRST LLC**

**FINANCIAL STATEMENTS**

**Years Ended November 30, 2004 and 2003**

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**COVENTRY FIRST LLC**

**Years Ended November 30, 2004 and 2003**

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**Mayer Hoffman McCann P.C.**

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#### INDEPENDENT AUDITORS' REPORT

To the Board of Managers

Coventry First LLC

We have audited the accompanying balance sheets of Coventry First LLC as of November 30, 2004 and 2003, and the related statements of income, changes in managing member's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Coventry First LLC as of November 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

Plymouth Meeting, Pennsylvania  
December 13, 2004

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## COVENTRY FIRST LLC

## BALANCE SHEETS

November 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ [REDACTED]	\$ [REDACTED]
Cash, restricted		
Accounts receivable		
Policies purchased		
Prepaid expenses		
Commissions		
Insurance		
Rent		
<b>TOTAL CURRENT ASSETS</b>	<u>11,626,727</u>	<u>6,141,300</u>
<b>PROPERTY AND EQUIPMENT</b>		
Cost		
Leasehold improvements		
Software		
Furniture, fixtures and office equipment		
<b>Total Cost</b>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Accumulated depreciation and amortization		
<b>NET PROPERTY AND EQUIPMENT</b>	<u>2,408,795</u>	<u>2,727,725</u>
<b>OTHER ASSETS</b>		
Deposits	<u>37,115</u>	<u>45,415</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,070,837</u>	<u>\$ 8,914,440</u>
<b><u>LIABILITIES AND MANAGING MEMBER'S EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ [REDACTED]	\$ [REDACTED]
Accounts payable and accrued expenses		
Payroll taxes withheld and accrued		
<b>TOTAL CURRENT LIABILITIES</b>	<u>9,844,036</u>	<u>4,819,207</u>
<b>MANAGING MEMBER'S EQUITY</b>	<u>4,226,801</u>	<u>4,095,233</u>
<b>TOTAL LIABILITIES AND MANAGING MEMBER'S EQUITY</b>	<u>\$ 14,070,837</u>	<u>\$ 8,914,440</u>

REDACTED

See Notes to Financial Statements

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## COVENTRY FIRST LLC

## STATEMENTS OF INCOME

Years Ended November 30, 2004 and 2003

	2004	2003
REVENUE		
Sale of insurance policies	\$ [REDACTED]	\$ [REDACTED]
Less cost of insurance policies		
NET REVENUE	77,276,068	58,531,305
OPERATING EXPENSES		
Advertising and promotion	[REDACTED]	[REDACTED]
Bank service charges and fees	[REDACTED]	[REDACTED]
Computer	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]
Dues and subscriptions	[REDACTED]	[REDACTED]
Employee benefits	[REDACTED]	[REDACTED]
Equipment rental	[REDACTED]	[REDACTED]
Insurance	[REDACTED]	[REDACTED]
Interest expense	[REDACTED]	[REDACTED]
Management fees	59,143,863	37,901,183
Marketing	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
Office	[REDACTED]	[REDACTED]
Outside services	[REDACTED]	[REDACTED]
Payroll	[REDACTED]	[REDACTED]
Payroll taxes	[REDACTED]	[REDACTED]
Postage and delivery	[REDACTED]	[REDACTED]
Professional fees	[REDACTED]	[REDACTED]
Recruiting	[REDACTED]	[REDACTED]
Relocation	[REDACTED]	[REDACTED]
Rent	[REDACTED]	[REDACTED]
Retirement plan expense	[REDACTED]	[REDACTED]
Taxes and licenses	[REDACTED]	[REDACTED]
Telephone	[REDACTED]	[REDACTED]
Travel and entertainment	[REDACTED]	[REDACTED]
Utilities	[REDACTED]	[REDACTED]
Add overhead payment to affiliates	[REDACTED]	[REDACTED]
TOTAL OPERATING EXPENSES	80,295,129	57,442,776
LOSS BEFORE OTHER INCOME	(3,019,061)	(911,471)
OTHER INCOME		
Interest income	[REDACTED]	[REDACTED]
Servicing fee income	[REDACTED]	[REDACTED]
Management fee income	[REDACTED]	[REDACTED]
TOTAL OTHER INCOME	3,732,439	972,656
NET INCOME	\$ 713,378	\$ 61,185

REDACTED

REDACTED

See Notes to Financial Statements

09/19/2006 19 24 FAX

09/22/2006

## COVENTRY FIRST LLC

## STATEMENTS OF CASH FLOWS

Years Ended November 30, 2004 and 2003

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$	\$
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization		
Decrease (increase) in operating assets		
Cash, restricted		
Accounts receivable		
Policies purchased		
Prepaid expenses		
Commissions		
Insurance		
Rent		
Deposits		
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses		
Payroll taxes withheld and accrued		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>650,698</b>	<b>3,352,187</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (repayment) on line of credit		
Managing member's equity distributions		
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(459,409)</b>	<b>1,931,740</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>5,608,511</b>	<b>3,677,771</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 5,150,102</b>	<b>\$ 5,609,511</b>

REDACTED

See Notes to Financial Statements

## COVENTRY FIRST LLC

## NOTES TO FINANCIAL STATEMENTS

REDACTED

(4) Related party transactions

The Company has agreements and arrangements with certain entities affiliated by common ownership, whereby, the Company and the affiliated entities share expenses, including payroll and the related benefits. A summary of these transactions for the years ended November 30, 2004 and 2003 is as follows:

	Years Ended November 30,	
	2004	2003
Overhead and shared expenses paid to affiliates	\$ [REDACTED]	\$ [REDACTED]

The Company has month to month management fees agreements and arrangements with certain entities affiliated by common ownership. Management fees paid to affiliates were \$59,143,683 and \$37,901,163 for the years ended November 30, 2004 and 2003, respectively.

The Company has received interest income from monies loaned to certain individuals with beneficial ownership interests in the Company. Total interest income for the years ended November 30, 2004 and 2003, were [REDACTED] and [REDACTED] respectively. There were no such outstanding loans receivable as of November 30, 2004 and 2003.

The Company has subleases of additional office space at its Philadelphia facility from a certain entity affiliated by common ownership on a month to month basis. Rent expense, relating to this lease, was [REDACTED] and [REDACTED] for the years ended November 30, 2004 and 2003, respectively.

During the year ended November 30, 2004, the Company allocated expenses to entities affiliated by common ownership in the amount of [REDACTED] (including depreciation and amortization of [REDACTED] rent of [REDACTED] and retirement plan of [REDACTED]).



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COVENTRY FIRST LLC  
NOTES TO FINANCIAL STATEMENTS

[REDACTED]

[REDACTED]

REDACTED

(7) Revenue

In October, 2001, the Company entered into an agreement with a company to sell and administer certain policies, as defined in the agreement. The agreement contains purchasing commitments by this company. This agreement was amended and restated effective July 1, 2003, and further amended effective July 30, 2004, to, among other things, renew the facility through 2007 and provide either party the right to further renew the facility through 2010.

[REDACTED]

In December, 2003, the Company entered into an agreement with a company to sell and administer certain policies, as defined in the agreement. This agreement contains purchasing commitments by this company with a minimum capital pledge.

[REDACTED]

REDACTED

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COVENTRY FIRST LLC

NOTES TO FINANCIAL STATEMENTS

(7) Revenue (continued)

In October, 2004, the Company entered into an agreement with a company to sell and administer certain policies, as defined in the agreement. This agreement contains purchasing commitments by this company with a minimum capital pledge.

These agreements require the Company to maintain a minimum net worth of \$4,000,000, as defined in the agreements.

[REDACTED]

[REDACTED]

REDACTED

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**COVENTRY FIRST, L.L.C.**

**FINANCIAL STATEMENTS**

**Years Ended November 30, 2003 and 2002**

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**COVENTRY FIRST, L.L.C.**

Years Ended November 30, 2003 and 2002

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**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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Plymouth Meeting, Pennsylvania 19462  
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#### INDEPENDENT AUDITORS' REPORT

To the Managing Member

Coventry First, L.L.C.

We have audited the accompanying balance sheet of Coventry First, L.L.C. as of November 30, 2003, and the related statements of income, changes in managing member's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Coventry First, L.L.C. as of November 30, 2002, were audited by other auditors whose report dated December 17, 2002, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position of Coventry First, L.L.C., as of November 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

Plymouth Meeting, Pennsylvania  
January 14, 2004

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## COVENTRY FIRST, LLC.

## BALANCE SHEETS

November 30, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
<b>CURRENT ASSETS</b>		
Cash	\$ [REDACTED]	\$ [REDACTED]
Cash, restricted	[REDACTED]	[REDACTED]
Accounts receivable	[REDACTED]	[REDACTED]
Policies purchased	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Commissions	[REDACTED]	[REDACTED]
Insurance	[REDACTED]	[REDACTED]
Rent	[REDACTED]	[REDACTED]
<b>TOTAL CURRENT ASSETS</b>	<u>6,141,300</u>	<u>6,059,354</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	[REDACTED]	[REDACTED]
Software	[REDACTED]	[REDACTED]
Furniture, fixtures and office equipment	[REDACTED]	[REDACTED]
Less accumulated depreciation and amortization	[REDACTED]	[REDACTED]
<b>NET PROPERTY AND EQUIPMENT</b>	<u>2,727,725</u>	<u>1,297,766</u>
<b>OTHER ASSETS</b>		
Deposits	<u>45,415</u>	<u>18,415</u>
<b>TOTAL ASSETS</b>	<u>\$8,914,440</u>	<u>\$7,375,535</u>

LIABILITIES AND MANAGING MEMBER'S EQUITY

<b>CURRENT LIABILITIES</b>		
Line of credit	\$ [REDACTED]	[REDACTED]
Accounts payable and accrued expenses	[REDACTED]	[REDACTED]
Payroll taxes withheld and accrued	[REDACTED]	[REDACTED]
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,819,207</u>	<u>3,341,487</u>
<b>MANAGING MEMBER'S EQUITY</b>	<u>4,085,233</u>	<u>4,034,048</u>
<b>TOTAL LIABILITIES AND MANAGING MEMBER'S EQUITY</b>	<u>\$8,914,440</u>	<u>\$7,375,535</u>

See Notes to Financial Statements

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## COVENTRY FIRST, L.L.C.

## STATEMENTS OF INCOME

Years Ended November 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>		
Sale of insurance policies		
Less cost of insurance policies		
<b>NET REVENUE</b>	<u>56,531,305</u>	<u>38,231,187</u>
<b>OPERATING EXPENSES</b>		
Advertising		
Bank service charges and fees		
Computer		
Depreciation and amortization		
Dues and subscriptions		
Employee benefits		
Equipment rental		
Insurance		
Interest expense		
Management fees	37,901,183	25,378,292
Marketing		
Miscellaneous		
Office		
Outside services		
Payroll		
Payroll taxes		
Postage and delivery		
Professional fees		
Recruiting		
Relocating		
Rent		
Retirement plan expense		
Taxes and licenses		
Telephone		
Travel and entertainment		
Utilities		
Add overhead payment to an affiliate		
<b>TOTAL OPERATING EXPENSES</b>	<u>57,442,776</u>	<u>37,357,665</u>
<b>INCOME (LOSS) BEFORE OTHER INCOME</b>	<u>(911,471)</u>	<u>873,522</u>
<b>OTHER INCOME</b>		
Interest income		
Servicing fee income		
<b>TOTAL OTHER INCOME</b>	<u>872,656</u>	<u>335,318</u>
<b>NET INCOME</b>	<u>\$ 61,185</u>	<u>\$ 1,208,840</u>

REDACTED

REDACTED

See Notes to Financial Statements

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**COVENTRY FIRST, L.L.C.****STATEMENTS OF CASH FLOWS**

Years Ended November 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers		
Interest income		
Cash provided by operating activities		
Cash paid to suppliers		
Interest paid		
Cash disbursed for operating activities		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(SEE SCHEDULE)	<u>3,352,187</u>	<u>637,348</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from line of credit		
Managing member's equity contributions		
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH</b>	1,931,740	1,828,485
<b>CASH, BEGINNING OF YEAR</b>	<u>3,677,771</u>	<u>1,849,306</u>
<b>CASH, END OF YEAR</b>	<u>\$ 5,609,511</u>	<u>\$ 3,677,771</u>

REDACTED

See Notes to Financial Statements



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**COVENTRY FIRST, L.L.C.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
Years Ended November 30, 2003 and 2002

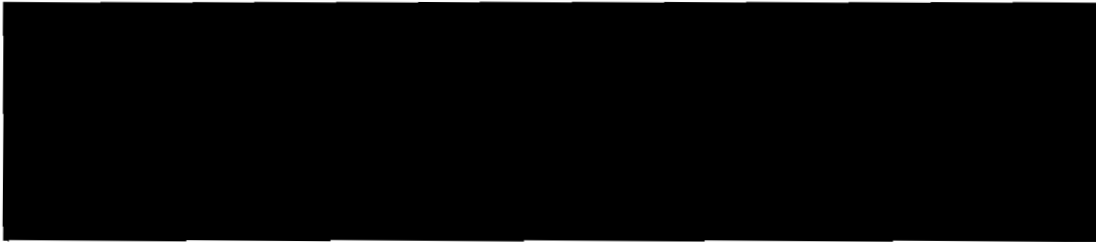
	<u>2003</u>	<u>2002</u>
<b>SCHEDULE RECONCILING NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 61,185	\$ 1,208,840
Noncash expenses, revenues, losses and gains included in net income		
Net book value of property and equipment transferred from affiliates		
Depreciation and amortization		
Adjustments to reconcile net income to net cash flows from operating activities		
Decrease (increase) in operating assets		
Cash, restricted		
Accounts receivable		
Policies purchased		
Due from affiliates		
Prepaid expenses		
Commissions		
Insurance		
Rent		
Deposits		
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses		
Payroll taxes withheld and accrued		
Due to affiliates		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 3,352,187</u>	<u>\$ 637,349</u>

**REDACTED**

See Notes to Financial Statements

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**COVENTRY FIRST, LLC.**  
**NOTES TO FINANCIAL STATEMENTS**



**REDACTED**

**(4) Related party transactions**

The Company currently has arrangements with entities owned by the majority stockholders of the sole member of the Company whereby the Company will share expenses, including payroll and related benefits, and related assets.

Years Ended November 30,	
2003	2002

Overhead payment paid to an affiliate is as follows:

The Coventry Group, Inc.

--	--

Overhead reimbursements received from an affiliate are as follows:

Coventry Financial, LLC.

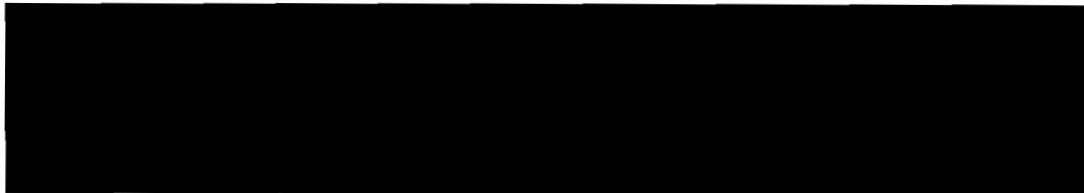
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In addition, the Company has incurred other expenses with affiliated entities as follows:

Management fees paid to affiliates are as follows:

Montgomery Capital, Inc.  
The Coventry Group, Inc.

\$37,801,163	\$ -
-	25,378,292
<u>\$37,801,163</u>	<u>\$25,378,292</u>



**REDACTED**

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**COVENTRY FIRST, LLC**

**FINANCIAL STATEMENTS**

**Year Ended November 30, 2002**

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**COVENTRY FIRST, L.L.C.**

**Year Ended November 30, 2002**

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**HALBERT, KATZ & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Suite 200 • 401 Plymouth Road • Plymouth Meeting, PA 19062 • 610/662-2200  
FAX • 610/662-2300

### INDEPENDENT AUDITORS' REPORT

To the Managing Member

Coventry First, LLC

We have audited the accompanying balance sheet of Coventry First, L.L.C. as of November 30, 2002, and the related statements of income, managing member's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coventry First, L.L.C., as of November 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Halbert, Katz & Co. PC*

December 17, 2002

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A peer reviewed member of the American Institute of Certified Public Accountants

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## COVENTRY FIRST, LLC.

## BALANCE SHEET

November 30, 2002

ASSETS

## CURRENT ASSETS

Cash  
 Cash, restricted  
 Accounts receivable  
 Policies purchased  
 Prepaid expenses  
 Commissions  
 Insurance  
 Rent

## TOTAL CURRENT ASSETS

6,059,354

## PROPERTY AND EQUIPMENT

Leasehold improvements  
 Software  
 Furniture, fixtures and office equipment

Less accumulated depreciation and amortization

## NET PROPERTY AND EQUIPMENT

1,297,766

## OTHER ASSETS

Deposits

18,415

## TOTAL ASSETS

\$7,375,535

LIABILITIES AND MANAGING MEMBER'S EQUITY

## CURRENT LIABILITIES

Accounts payable and accrued expenses  
 Payroll taxes withheld and accrued

## TOTAL CURRENT LIABILITIES

3,341,487

## MANAGING MEMBER'S EQUITY

4,034,048

## TOTAL LIABILITIES AND MANAGING MEMBER'S EQUITY

\$7,375,535

See Notes to Financial Statements

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## COVENTRY FIRST, LLC.

## STATEMENT OF INCOME

Year Ended November 30, 2002

## INCOME

Sale of insurance policies  
 Less cost of insurance policies  
 TOTAL INCOME

\$ [REDACTED]  
38,231,187

## OPERATING EXPENSES

Advertising  
 Bank service charges and fees  
 Computer  
 Depreciation and amortization  
 Dues and subscriptions  
 Employee benefits  
 Equipment rental  
 Insurance  
 Management fees  
 Marketing  
 Miscellaneous  
 Office  
 Outside services  
 Payroll  
 Payroll taxes  
 Pension  
 Postage and delivery  
 Professional fees  
 Recruiting  
 Relocating  
 Taxes and licenses  
 Telephone  
 Travel and entertainment  
 Utilities

[REDACTED]  
25,378,292

Add overhead payment to an affiliate  
 TOTAL OPERATING EXPENSES

[REDACTED]  
37,357,665

INCOME BEFORE OTHER INCOME

873,522

## OTHER INCOME

Interest income  
 Servicing fee income  
 TOTAL OTHER INCOME

[REDACTED]  
335,318

NET INCOME

\$ 1,208,840

See Notes to Financial Statements

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**COVENTRY FIRST, LLC**  
**STATEMENT OF CASH FLOWS**  
Year Ended November 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers  
Interest income

Cash provided by operating activities

Cash paid to suppliers

Cash disbursed for operating activities

NET CASH FROM OPERATING ACTIVITIES (SEE SCHEDULE)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment

**CASH FLOWS FROM FINANCING ACTIVITIES**

Managing member's equity contributions

NET INCREASE IN CASH

CASH, BEGINNING OF YEAR

CASH, END OF YEAR

\$ [REDACTED]

637,349

[REDACTED]

[REDACTED]

1,828,465

1,849,306

\$ 3,677,771

**REDACTED**

See Notes to Financial Statements



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**COVENTRY FIRST, LLC**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended November 30, 2002

**SCHEDULE RECONCILING NET INCOME TO NET CASH  
FROM OPERATING ACTIVITIES**

Net income	\$1,208,840
Noncash expenses, revenues, losses and gains included in net income	
Net book value of property and equipment transferred from affiliates	
Depreciation and amortization	
Adjustments to reconcile net income to net cash provided by (used in) operating activities	
(Increase) in operating assets	
Cash, restricted	
Accounts receivable	
Policies purchased	
Due from affiliates	
Prepaid expenses	
Commissions	
Insurance	
Rent	
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	
Payroll taxes withheld and accrued	
Due to affiliates	

**NET CASH FROM OPERATING ACTIVITIES**

**\$ 637,349**

REDACTED

See Notes to Financial Statements

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COVENTRY FIRST, LLC.

NOTES TO FINANCIAL STATEMENTS

(3) Related party transactions

The Company currently has arrangements with entities owned by the majority shareholders of the sole member of the Company whereby the Company will share expenses, including payroll and related benefits, and related assets.

Overhead payment paid to an affiliate is as follows:

Coventry Group, Inc.

Overhead reimbursements received from an affiliate are as follows:

Coventry Financial, LLC.

In addition, the Company has incurred other expenses with affiliated entities as follows:

Management fees paid to an affiliate are as follows:

The Coventry Group, Inc.

\$25,378,292

REDACTED

REDACTED

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COVENTRY FIRST, L.L.C.  
(f/k/a MONTGOMERY CAPITAL, L.L.C.)

FORT WASHINGTON, PENNSYLVANIA

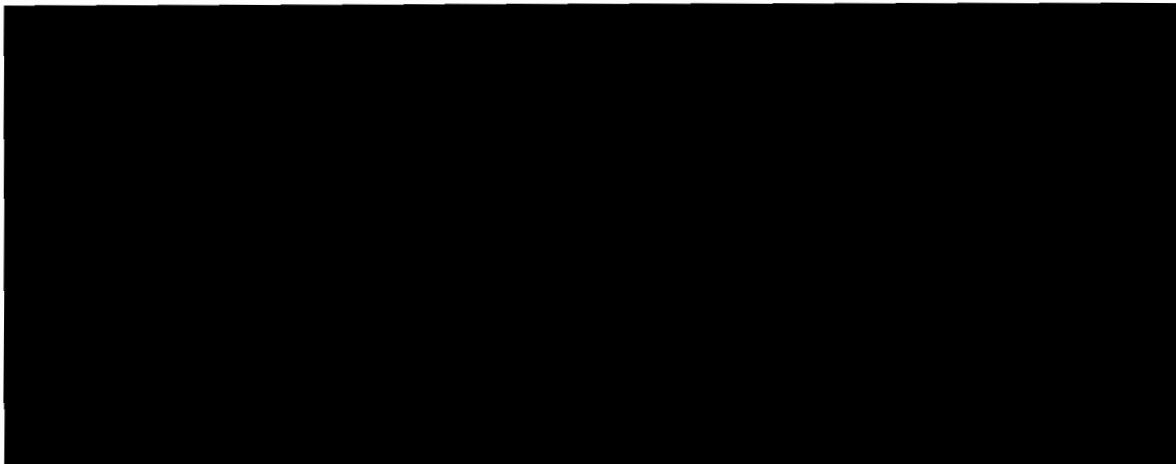
NOVEMBER 30, 2001

YEAR END

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**COVENTRY FIRST, L.L.C.**  
**(f/k/a MONTGOMERY CAPITAL, L.L.C.)**  
**NOTES TO FINANCIAL STATEMENTS - INCOME TAX BASIS (CONTINUED)**  
**NOVEMBER 30, 2001**



**REDACTED**

**Note 3 Related party transactions**

The Company currently has arrangements with entities owned by the members of the Company whereby the Company will share expenses, including payroll and related benefits, and related assets.

**Amounts due from affiliates are as follows:**

Alan H. and Constance M. Buerger, affiliate of managing member  
 Coventry Center, L.L.C., noninterest bearing  
 Coventry Financial, L.L.C., noninterest bearing  
 Montgomery Capital, Inc., noninterest bearing, repaid  
 in February, 2002

\$ [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

**Amount due to an affiliate is as follows:**

Coventry Group, Inc., interest at 6%

\$ [REDACTED]



**Interest expense incurred to an affiliate is as follows:**

Coventry Group, Inc.

\$ [REDACTED]

**Rent reimbursed to an affiliate is as follows:**

Coventry Group, Inc.

\$ [REDACTED]

**REDACTED**